

Message Text

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PAGE 01 MANILA 12166 050812Z

ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06
OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 IO-13
/112 W

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R 050718Z AUG 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3352

INFO AMEMBASSY BANGKOK

AMEMBASSY SINGAPORE

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

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E.O. 11652: NA

TAGS: ENRG, RP

SUBJECT: SECOND CITIES SERVICE OIL FIND OFF PALAWAN

REF: A. MANILA 10982

1. TESTING IS FINISHED ON THE SECOND DISCOVERY WELL IN THE NID COMPLEX OFF PALAWAN AND THE RESULTS ARE VERY GOOD. OIL FLOWED STRONGLY DURING FOUR OF THE FIVE DRILL-STEM TESTS. PHILIPPINES CITES SERVICE PRESIDENT C.G. BARHOLOMEW TOLD EMBOFF THAT ANALYSIS OF THE DATA OBTAINED DURING DRILLING WILL TAKE AT LEAST ANOTHER 6 WEEKS, AND QUANTIFYING THE DISCOVERY WILL BE DIFFICULT BECAUSE THE STRUCTURE IS VERY FRACTURED CARBONATE, RATHER THAN LIMESTONE OR SANDSTONE. NEVERTHELESS, HE CONCEDED THAT THIS DISCOVERY IS CONSIDERABLY MORE PROMISING THAN THE FIRST NIDO DISCOVERY OF MARCH 1976.

2. BARHOLMOMEW DENIED CATEGORICALLY RECENT PRESS REPORTS THAT
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PAGE 02 MANILA 12166 050812Z

CITIES IS PLANNING A \$100 MILLION PRODUCTION DRILLING PROGRAM. HE ALSO CHARACTERIZED A RECENT DAILY EXPRESS ESTIMATE OF A 100 MILLION BARREL RESERVE AS EXTREMELY OPTIMISTIC BASED ON THE INFORMATION AVAILABLE TO CITIES.

3. PART OF CITIES' ANALYSIS OF THIS WELL WILL OF COURSE INCLUDE ESTIMATES ON THE COMMERCIAL VIABILITY OF

PRODUCING THE WELL AND BARHOLOMEW EXPECTS A GO-NO-GO DECISION FROM HIS COMPANY WELL BEFORE THE END OF THIS YEAR. HE NOTES PRODUCTION RISKS WILL BE GREAT IN DRILLING A FRACTURED CARBONATE STRUCTURE IN 140 FEET OF WATER 27 MILES OFF PALAWAN EVEN IF THEIR RESOVOIR ANALYSIS DOES INDICATE SUBSTANTIAL QUANTITIES OF OIL.

4. IN THE MEANTIME, CITIES HAS SPUDDED ANOTHER WELL "GUNTAO", IN A LARGER BUT SEPARATE STRUCTURE TEN MILES NORTH OF SOUTH NIDO I. CITIES' GEOLOGISTS NOW FEEL THERE IS A GOOD CHANCE FOR ANOTHER DISCOVERY IN THIS NEWWELL, AND IF OIL IS FOUND THERE, THE ECONOMICS OF PRODUCING SOUTH NIDO I WILL OF COURSE CHANGE SIGNIFICANTLY.

5. AT THIS TIME BARTHOLOMEW BELIEVES THE PRIMARY SIGNIFICANCE OF THIS SOUTH NIDO I DISCOVERY IS ITS RE-AFFIRMATION THAT HYDROCARBONS DO EXIST IN THE PALAWAN SHELF, AND THE IMPETUS IT WILL GIVE TO FURTHER OFF-SHORE EXPLORATION IN THE PHILIPPINES. FURTHERMORE, HE IS NOW CONVINCED THAT THE PHILIPPINES HAS A GOOD CHANCE TO JOIN THE OIL PRODUCING NATIONS BY 1985.

6. COMMENT: OILMEN HERE HAVE ALWAYS SAID THERE WAS OIL IN THE PHILIPPINES SOMEWHERE, IT'S JUST A MATTER OF LIMITED OFFICIAL USE

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PAGE 03 MANILA 12166 050812Z

FINDING IT. IT LOOKS LIKE CITIES IS NOW DOING JUST THAT. INDUSTRY SOURCES HAVE OFTEN TOLD US HOWEVER THAT DUE TO THE NATURE OF THE FRACTURED PHILIPPINE GEOLOGY, IT IS UNLIKELY THAT A MAJOR OIL PROVINCE OF THE TYPE FOUND IN INDONESIA IS POSSIBLE HERE. WHILE WE CANNOT CONCLUDE SELF-SUFFICIENCY IN OIL IS ANYWHERE ON THE HORIZON. SOUTH NIDO I IS STILL VERY GOOD NEWS FOR THE PHILIPPINES.
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